

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 9, 2024**

REGULAR X **CONSENT** _____ **EFFECTIVE DATE** January 10, 2024

DATE: January 3, 2024

TO: Public Utility Commission

FROM: Luz Mondragon and Bret Stevens

THROUGH: Bryan Conway, Marc Hellman, and Matt Muldoon **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. ADV 1529/Advice No. 23-015)
Update to Schedule 190, Wildfire Mitigation Plan Cost Recovery
Adjustment.

STAFF RECOMMENDATION:

Staff recommends the Commission approve, with less than statutory notice, PacifiCorp dba Pacific Power's (PAC or Company) ADV 1529 (Filing), updating Schedule 190 to recover incremental costs associated with the development and implementation of PAC's annual Wildfire Mitigation Plan (WMP) Automatic Adjustment Clause (AAC), effective for service rendered on and after January 10, 2024, and direct the Company to take additional actions as necessary to implement the agreed-upon terms in Exhibit 1.

DISCUSSION:

Issue

Whether the Commission should approve Docket No. ADV 1529, PAC's request to update Schedule 190 (WMP) to recover \$46.5 million in costs authorized for recovery through the AAC mechanism in accordance with Commission Order No. 23-173.

Applicable Law

ORS 757.205 requires public utilities file all rates, rules, and charges with the Commission.

ORS 757.210 establishes a hearing process to address utility filings and requires rates be fair, just, and reasonable.

ORS 757.220 provides that no change shall be made in any schedule, except upon 30 days' notice to the Commission prior to the time the changes are to take effect.

Upon a showing of good cause, the Commission may allow a filing to take effect on less than 30 days' notice.

OAR 860-022-0025 and 860-022-0030 requires that filings revising tariffs include statements showing the change in rates, the number of customers affected and resulting change in annual revenue, and the reasons for the tariff revision.

ORS 757.963(1) provides that "[a] public utility that provides electricity must have and operate in compliance with a risk-based wildfire protection plan that is filed with the Public Utility Commission and has been evaluated by the commission."

ORS 757.963(8) provides that "[a]ll reasonable operating costs incurred by, and prudent investments made by, a public utility to develop, implement or operate a wildfire protection plan are recoverable in the rates of [a] public utility" ORS 757.963(8) further provides that the Commission "shall establish an automatic adjustment clause, as defined in ORS 757.210, or another method to allow timely recovery of these costs."

Analysis

Background

In June 2021, Oregon legislature passed Senate Bill (SB) 762, which directs utilities that provide electricity to have a wildfire mitigation plan (WMP) to be filed with and evaluated by the Commission. Section 3 of SB 762 outlines the utility's responsibilities and requirements, such as a plan that is based on reasonable and prudent practices and in a manner that seeks to protect public safety, reduce risk to utility customers, and promote electrical system resilience to wildfire damage.¹

In Order No. 23-173, the Commission authorized PacifiCorp to recover incremental WMP costs, both capital and operation and maintenance (O&M), through an Automatic Adjustment Clause (AAC). The Stipulation, adopted by the Commission, does not include the use of performance-based rate mechanisms or earnings tests for these costs. Recognizing that the plans would evolve as the utilities gained experience, particularly in light of developing new methods for valuing risk, implementing mitigations, and exploring new technologies in the face of climate change—all of which are elements of the WMPs—the Stipulation and Commission order specify that the AAC would be revisited at a special public meeting in three-years' time (2026).²

The Stipulation requires the following information to be provided by the Company in each AAC annual filing:

- a) A detailed accounting comparing the amounts spent relative to its WPP budget;
- b) Invoice level data detailing non-labor O&M using the same format as Staff Standard Data Request 57;
- c) A project-level itemized budget of WPP investments and costs in each annual filing; and

¹ Senate Bill 762.

² Order No. 23-173/Page 1.

- d) A detailed reconciliation between the budget and actual expenditures, by project, in each annual filing.

In response to SB 762, ORS 757.968, and Order No. 23-173, PAC submitted Advice No. 23-013 on May 17, 2023, to start amortizing \$19.1 million in forecasted expenditures for 2022 through Schedule 190, the cost recovery mechanism for wildfire mitigation costs. On June 30, 2023, PacifiCorp filed the current filing, Advice No. 23-015 (ADV 1529), to update Schedule 190 and reconcile 2022 actuals to the forecasted amount, as well as to recover revenue requirement on Capital investments and the 2023 forecast of O&M expenditures.

WMP O&M and Capital Investment Spending – 2022

WMP O&M (Other than Vegetation Management)

In its filing, PAC reported spending \$9.1 million on Oregon-allocated O&M expenses other than vegetation management. These include operational response during Public Safety Power Shutoff (PSPS) event(s), additional Staff, and Weather Monitoring Services. The Planned Expense included in PAC's 2022 WMP (Plan) forecasted \$4.1 million to be spent.³ Of the \$5 million overspent, the largest variances were in Field Operations & Work Practices and PSPS programs. Field Operation's variance was due to fluctuation in risks that are heavily dependent on weather. Variance in the PSPS Program is due to projections being based on previous experience in other states with smaller scale effects. Future planning has been adjusted for both Program Categories.

Vegetation Management O&M

PAC spent \$24.9 million in vegetation management. All vegetation management was handled through contract labor. The Planned Expense for vegetation management in the 2022 Plan was exceeded by \$9.3 million. The Company attributes the overspend to plan numbers being developed prior to firm scopes and contracts being in place. Additionally, PacifiCorp experienced an increase in vegetation management costs largely due to the increase in market labor rates.

The total spent in 2022 for Wildfire Mitigation O&M is \$34 million. After interest and amounts amortized through Advice No. 23-013, the O&M revenue requirement is \$27.9 million.

WMP O&M 2023 Forecast

PacifiCorp is also including in the recovery amount the 2023 forecast for wildfire O&M expenses of \$38.2 million. \$19.7 million is included in rates and \$18.5 million is incremental.

³ 2022 WMP/ Table 13: Planned incremental Expense by Program Category.

Table 3: 2022 Actuals and Planned Incremental Wildfire Mitigation Expense by Program Category (\$/millions)⁸

Program Category	2022 Actuals ⁹	2023	2024	2025	2026	2027	5 Year Total
Risk Modeling and Drivers	\$0.1	\$0.5	\$0.4	\$0.4	\$0.4	\$0.4	\$2.0
Inspection & Correction	\$0.4	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$4.1
Vegetation Management	\$24.9	\$27.9	\$23.8	\$24.8	\$24.3	\$24.0	\$124.9
Grid Hardening	\$0.1	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$1.6
Situational Awareness	\$2.0	\$1.8	\$1.9	\$1.9	\$2.0	\$2.0	\$9.6
Field Operations & Work Practices	\$2.8	\$2.5	\$2.5	\$2.5	\$2.5	\$2.5	\$12.7
PSPS Program	\$2.3	\$2.2	\$1.8	\$1.3	\$0.8	\$0.5	\$6.5
Public Safety Partner Coordination	\$0.1	\$0.2	\$0.2	\$0.2	\$0.2	\$0.2	\$1.0
WMP Engagement Strategy	\$0.5	\$1.0	\$0.8	\$0.6	\$0.6	\$0.6	\$3.6
Industry Collaboration	\$0.0	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.3
Plan Monitoring & Implementation	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$3.8
Grand Total	\$34.0	\$38.2	\$33.3	\$33.7	\$32.7	\$32.1	\$169.9
Less: Amount Currently in Base Rates		-\$19.7					
2023 WMP O&M Incremental to Base Rates		\$18.5					

Capital Investments

The Company reported investing an incremental \$19.3 million in capital in calendar year 2022. Total Company Capital investments include Line Rebuild, System automation, Fuse replacement, and System Allocated Transmission. Investments were consistent with PAC’s 2022 WMP and Total Company was underspent by \$4.4 million.⁴ PAC attributes the variance largely to recategorization of work to O&M and to project delays associated with resource and supply chain constraints.⁵

PacifiCorp’s revenue requirement of \$47 thousand is based on \$381 thousand in Oregon-allocated Capital investments that were placed in service between December 16, 2022 and May 31, 2023.⁶

Earnings Test

Order No. 23-173 adopts a Stipulation that prohibits the use of earnings test for the Wildfire Mitigation Plan Automatic Adjustment Clause recovery mechanism.

Prudence Review

Staff reviewed transaction level data of all costs to be recovered for both O&M and capital for prudence. Staff was unable to establish the impact of risk reduction, which it anticipates to be a future feature required to establish prudence, however Staff evaluated prudence for these expenditures based on cost management principles and general alignment with programs and project categories identified in the Company’s WMP. Staff found most expenditures to be prudent and reasonable for recovery through the WMP AAC, with the exception of:

- Meals, Refreshments, & Entertainment;

⁴ 2022 WMP/ Table 12: Planned incremental Capital Investment by Program Category.

⁵ Advice No. 23-015/Table 4.

⁶ PAC updated workpapers. 2023 WMP AAC with Tax_MASTER Settlement/Exhibit tab.

- Indirect O&M Overhead costs;
- Non-FHCA CHP Veg Management Costs;
- Indirect Capital loadings;
- Duplicate work to reframe weather stations; and
- Non-Oregon transmission costs allocated to Oregon.

Meals, Refreshments, & Entertainment in O&M summed to \$38,381 and \$1,470 in capital expenditures. PacifiCorp agreed to exclude twenty-five percent of all incremental Meals, Refreshments, and the like from this and future filings. This agreement excludes per-diems paid to employees while on wildfire mitigation activities. The reason for this treatment is to align incentives for cost control for these expenses. The adjustment would be a reduction to the revenue requirement of \$9,595.

O&M Indirect loading costs summed up to \$23,568 and \$2,453,862 in Capital. The Company and Staff agreed to exclude these costs and to include only incremental costs directly caused by wildfire mitigation work. All shared OH labor or OH labor that cannot be proven to be directly caused by WMP implementation or development should be recovered through base rates. Staff argues that the AAC should only recover costs that would not have been incurred in absence of the WMP activities. In effect, this means that if the WMP work were eliminated there would be no redeployment of those resources to other core work activities. This agreement assures that only incremental costs that are directly attributable and that would not have been incurred in absence of the WMP activities should be recovered through this WMP.

Staff expressed reservations about Non-FHCA Veg Management Costs being recovered through the AAC and not through PAC's Wildfire Mitigation and Vegetation Management recovery mechanism, Schedule 94. After discussion, Staff and the Company agreed to include Non-FHCA CHP Veg Management in this filing only. Not including the costs in this mechanism would significantly delay recovery of these costs. Further, since PacifiCorp did not trigger the earnings test in Schedule 94, they would have been able to fully recover costs through that mechanism as well. The Non-FHCA CHP Veg Management Costs summed up to \$3,681,048. The Company agrees to exclude these kinds of costs from Schedule 190 in all future WMP AAC filings and instead seek recovery of these cost through the Wildfire Mitigation and Vegetation Management recovery mechanism.

Several weather station locations were identified as requiring a return trip to reframe the weather pole in conformance with National Electric Safety Code (NESC) requirements. Staff proposed and the Company agreed to exclude \$10,731 from rate base.

Staff and PacifiCorp agreed to exclude from the AAC the amount of \$5,382,128 for Oregon-allocated transmission costs for work performed outside of Oregon. The WMP does not prescribe any work outside of Oregon. These costs can be considered and recovered in future general rate cases.

All the agreed upon adjustments reduce revenue requirement by \$867 thousand and are included as an Exhibit to this memo.⁷

Wildfire Mitigation Automatic Adjustment
 ADV 1529/Advice No. 23-015⁸

PacifiCorp ADV 1529	Incremental Spend	RR
O&M (incremental)	33,892,659	33,892,659
*Interest and other amortizations		-5,989,052
Capital Investments placed in service	8,228,691	878,127
**2023 O&M Forecast (Incremental)	18,586,716	18,586,716
ADV 1529 Filing recovery amount		\$ 47,368,450

Staff Proposed Adjustments:	Amount in Filing	Subject Amt	RR Adjustment
Operations & Maintenance			
Meals	38,381	25%	(9,595)
OH Costs	902,382	23,568	(23,568)
Capital Investments			
Meals	1,470	368	(42)
Capital indirect loadings	3,152,959	2,453,682	(274,077)
Weather Stations Reframe	10,731	10,731	(1,198)
Allocated transmission costs completed	13,087,559	5,382,128	(555,383)
Savings on Interest			(3,087)
Total Staff proposed adjustments			(866,950)
ADV 1529 recovery amount with Staff adjustments			\$ 46,501,500

**Total 2023 Forecast (\$38.2 M) minus \$19.7 million included in rates.

Staff Summary of Analysis

The overall impact of the Oregon-allocated incremental WMP costs PAC is proposing to recover through Schedule 190 is \$46.5 million, an increase of \$24.9 million, or 1.4 percent over the current rates. The proposed change will affect approximately 652,000 customers. A residential customer using 900 kilowatt-hours per month will see a monthly bill increase of approximately \$2.45 per month.

The Company updated their filing on four occasions.

- September 28, 2023, to correct a duplicated cost of \$1.8 million.
- October 20, 2023, to propose a change from the November 5, 2023, effective date to December 13, 2023.
- November 17, 2023, to change the effective date to January 10, 2024.
- January 3, 2024 to update the revenue requirement after the agreed upon adjustments.

Staff completed a series of checks and analyses, and issued several data requests to determine that the costs proposed for recovery were incremental, prudent, accurate,

⁷ Exhibit 1, PacifiCorp Advice No. 23-015, ADV 1529 Term Sheet.

⁸ Amortization from Advice No. 23-013. Recovery on 2022 Forecast amount.

and consistent with Commission Order No. 23-173. The following tasks were completed:

- Confirmed revenue targets and amortizations are correctly calculated and to be consistent with Commission Order No. 23-173;
- Confirmed Rate Spread and Design were calculated to produce revenues in accordance with Commission Order No. 23-173;
- Reviewed the Company's comparison of budget to actuals at the program level;
- Reviewed the 2023 forecast of expenditures at the program level;
- Reviewed transaction detail for all costs to be recovered; and
- Reviewed how PacifiCorp's actual work completed compared to their WMP goals.⁹

Staff issued six sets of information requests, communicated via email, and met with the Company to discuss the filing on August 10, October 10, October 11, October 17, November 3, and December 14, 2023.

Staff appreciates the collaborative manner in which the Company engaged with Staff in the review and resolution of this filing, including the agreement reached for rate treatment for various ongoing issues. A copy of that agreement is attached to this memo.

Conclusion

For the reasons stated above, Staff recommends that the Commission approve PAC's Advice No. 23-015, with less than statutory notice.

The Company has reviewed this memo and agrees with its content.

PROPOSED COMMISSION MOTION:

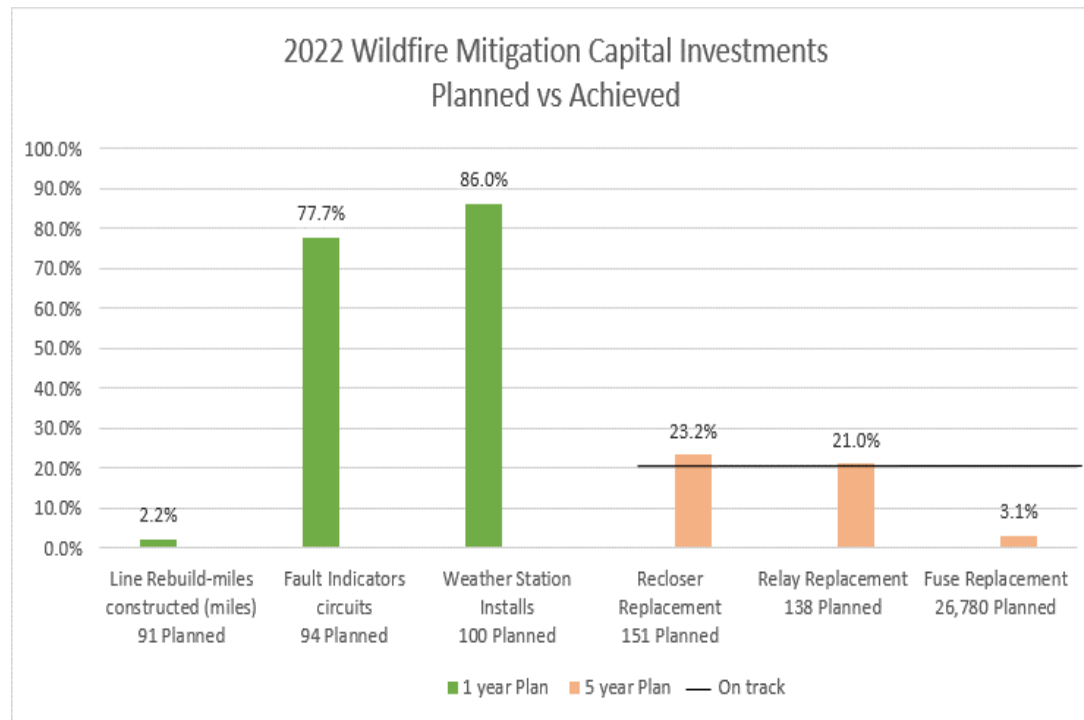
Approve Advice No. 23-015, PacifiCorp's request, with less than statutory notice, to update its Schedule 190 to recover incremental costs associated with the development and implementation of the WMP AAC, effective for service rendered on and after January 10, 2024, and direct the Company to take additional actions as necessary to implement the terms in Exhibit 1.

⁹ See Exhibit 2-2022 Wildfire Mitigation Planned vs Achieved.

PacifiCorp Advice No. 23-015, ADV 1529 Term Sheet

The following document identifies the resolution of all issues and lists the agreed upon adjustments between PacifiCorp and the Staff of the Public Utility Commission of Oregon. This document acts as a modification to PacifiCorp's advice filing. All the numbers indicated below are Oregon-allocated.

1. \$33,163 in adjustments to operations and maintenance (O&M) costs:
 - a. \$9,595: 25 percent of incremental meal costs identified will be removed. PacifiCorp agrees to use the 75/25 split for meals in future WMP AAC filings.
 - b. \$23,568: O&M overhead labor costs that could not be verified as incremental. This amount will be removed and recovered through a future general rate proceeding.
 - c. Staff and PacifiCorp agree that the 2022 non-Fire High Consequence Area (FHCA) vegetation management costs associated with the change to a three-year trimming cycle will be remain in this filing for recovery in this mechanism. However, in future filings non-FHCA vegetation management costs associated with the switch to a three-year cycle will be recovered through Schedule 94, the wildfire mitigation and vegetation management mechanism.
2. \$7,846,909 in adjustments to capital costs:
 - a. \$368: 25 percent of incremental meal costs included will be removed. PacifiCorp agrees to use the 75/25 split for meals in future WMP AAC filings.
 - b. \$5,382,128: capital costs associated with wildfire mitigation activities for transmission lines located outside the state of Oregon will be removed from this proceeding and recovered through a future general rate case proceeding. PacifiCorp agrees to exclude capital costs associated with wildfire mitigation activities for transmission lines located outside the state of Oregon in future WMP AAC filings and will recover these costs through a general rate case filing.
 - c. \$2,453,682: capital indirect loadings in capital investments will be removed and recovered through a future general rate case proceeding. PacifiCorp agrees to exclude these costs in future WMP AAC filings and will recover these costs through a general rate case proceeding.
 - d. \$10,731: remove costs associated with reframing of a weather station.
3. In its next general rate case PacifiCorp agrees to remove all Oregon wildfire costs from base rates as these costs will be addressed in the WMP AAC.
4. Full detail and calculations supporting these adjustments and a revised revenue requirement of \$46,501,500 are provided in the workpapers.
5. Upon Staff agreement of these terms, PacifiCorp will submit a revised filing that captures these identified adjustments for a January 10 rate effective date.
6. This resolves all issues in PacifiCorp's advice filing.



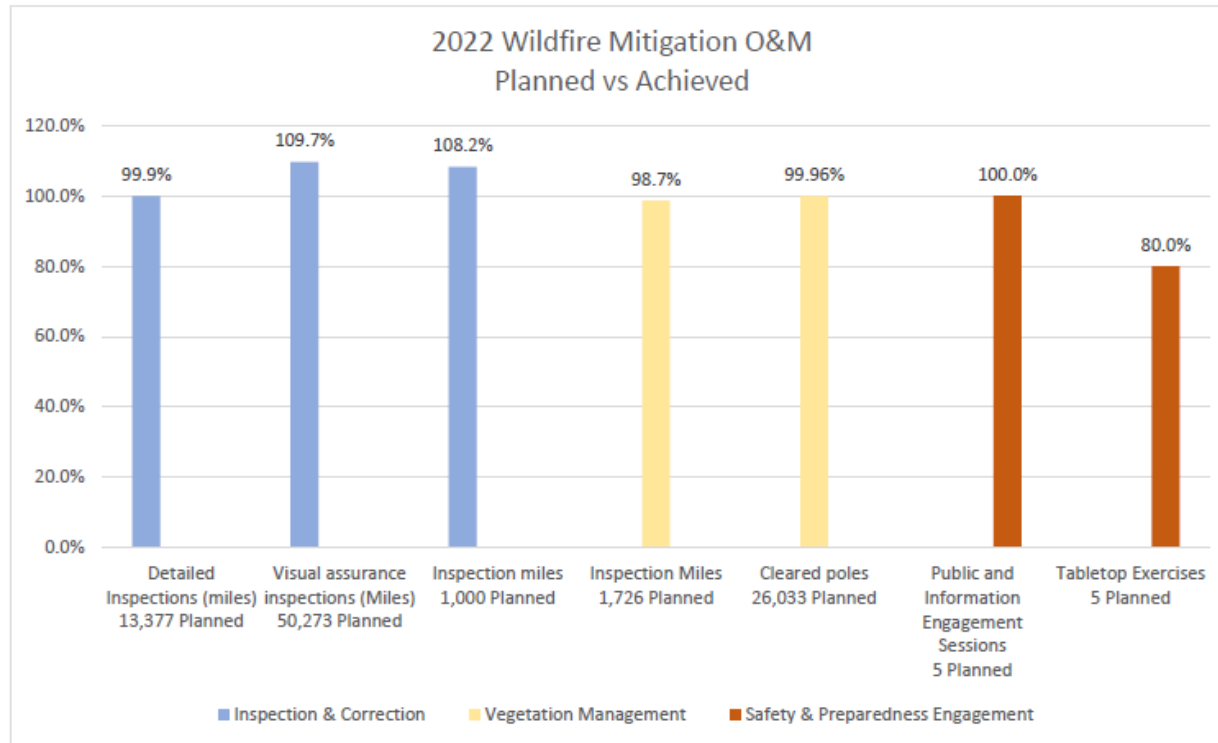
2022 Capital Investments						
Program Category	Qty Planned	Plan Years	Qty Achieved	Goal %	\$\$ Spend (Mil)	\$/Unit
System Hardening						
Line Rebuild-miles constructed (miles)	91	1	2	2.2%	\$ 3.60	\$ 1,800,000
Fuse Replacement	26,780	5	833	3.1%	\$ 1.30	\$ 1,561
Fault Indicators circuits ¹	94	1	73	77.7%	\$ 1.80	\$ 24,658
System Automation ²	289	5	64	22.1%	\$ 4.50	\$ 70,313
Recloser Replacement ³	151	5	35	23.2%		
Relay Replacement ⁴	138	5	29	21.0%		
Situational Awareness						
Weather Station Installs	100	1	86	86.0%	\$ 1.50	\$ 17,442

¹ Quantity planned does not match the qty achieved units originally provided in the WMP (# of fault indicators installed). We've updated the qty achieved to be by circuits to maintain goal measurement. 94 planned is all circuits with a presence in the FHCA. 2 FHCA circuits have no overhead and 9 circuits had CFCIs attempted, but there was not sufficient cell coverage making them technically infeasible. 20 non-FHCA circuits that frequently have Elevated Fire Risk settings also received CFCIs. 2374 fault indicators.

² In conversation with staff on 12/6/23 PacifiCorp indicated that spend is tracked jointly and has been reported to staff in numerous data requests as a single value. It was agreed to keep spend as system automation total only and not broken up by recloser and relay replacements.

³ The WMP does not provide a specific number for reclosers replaced in 2022, only a total number of system automation units completed.

⁴ The WMP does not provide a specific number for relays replaced in 2022, only a total number of system automation units completed.



2022 Operations and Maintenance (O&M)						
Program Category	Qty Planned	Qty Achieved	Goal %	\$\$ Spend (Mil)	\$/Unit	
Inspection & Correction						
Detailed Inspections (miles) ⁵	13,377	13,370	99.9%	\$ 0.21	\$ 15.78	
Visual assurance inspections (Miles)	50,273	55,139	109.7%	\$ 0.17	\$ 3.10	
Fire threat conditions corrected ⁶	n/a ⁷	1,375	0.0%			
Inspection miles	1,000	1,082	108.2%	\$ 0.07	\$ 62.85	
Vegetation Management						
Inspection Miles	1,726	1,703	98.7%	\$ 1.55	\$ 909.57	
Trimmed and Removed trees ⁸	n/a	42,161	0.0%	\$ 15.87	\$ 376.39	
Cleared poles	26,033	26,022	99.96%	\$ 2.85	\$ 109.52	
Wildfire Safety & Preparedness Engagement Strategy						
Public and Information Engagement Sessions	5	5	100.0%	\$ 0.10	\$ 19,892.40	
Tabletop Exercises	5	4	80.0%	\$ 0.06	\$ 14,743.00	

⁵ Qty achieved provided in the 2023 WMP did not accurately include all distribution and transmission related inspection types and this amount has been updated to reflect the correct amount.

⁶ Fire threat condition corrected spend is not financially tracked separately from other activities and spend is unable to be determined for this achievement.

⁷ Fire threat conditions corrected does not have a planned quantity due to the priorities and timelines of conditions. Carry over from previous years along with conditions found in the current year would affect activity and therefore cannot be planned for ahead of time.

⁸ PacifiCorp does not set a goal or plan for number of trees pruned. PacifiCorp does not set a goal or plan for number of trees and brush (tree equivalent) removed.